

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent Jack Scott was a successful candidate for the 21<sup>st</sup> District of the California State Senate in the November 7, 2000 statewide general election, having previously served as a member of the California State Assembly from 1996 to 2000. Respondent Jack Scott for State Senate Committee (the “Committee”) is the controlled committee of Respondent Scott. Respondent Jonathan Fuhrman is the treasurer of Respondent Committee.

As Respondent Scott was a candidate for elective state office, Respondents had an obligation to disclose the receipt or making of a late contribution within 24 hours on a late contribution report in both paper and electronic formats. In this matter, Respondents failed to timely disclose the making or receipt of seven late contributions, totaling \$257,900, on late contribution reports in either a paper or electronic format. In addition, Respondents failed to timely disclose the making or receipts of 11 late contributions, totaling \$135,425, on paper late contribution reports, although Respondents had disclosed these contributions electronically.

For the purposes of this stipulation, Respondents’ violations of the Political Reform Act (the “Act”)<sup>1</sup> are stated as follows:

**COUNT 1:** Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$1,971 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed paper late contribution report, by the October 28, 2000 due date, in violation of section 84203, subdivision (a).

**COUNT 2:** Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$1,971 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed electronic late contribution report, by the October 28, 2000 due date, in violation of section 84605, subdivision (a).

**COUNT 3:** Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$1,000 late contribution from the United Food and Commercial Workers International Union in a properly filed paper late contribution report, by the October 30, 2000 due date, in violation of section 84203, subdivision (a).

**COUNT 4:** Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan

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<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

Fuhrman failed to disclose the receipt of a \$1,000 late contribution from the United Food and Commercial Workers International Union in a properly filed electronic late contribution report, by the October 30, 2000 due date, in violation of section 84605, subdivision (a).

COUNT 5: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$52,425 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed paper late contribution report, by the October 31, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 6: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$62,865 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed paper late contribution report, by the October 31, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 7: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$62,865 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed electronic late contribution report, by the October 31, 2000 due date, in violation of section 84605, subdivision (a).

COUNT 8: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$140,064 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed paper late contribution report, by the November 2, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 9: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$140,064 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed electronic late contribution report, by the November 2, 2000 due date, in violation of section 84605, subdivision (a).

COUNT 10: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose a \$50,000 late contribution made to California State Senate candidate Michael Machado in a properly filed paper late contribution report, by the November 2, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 11: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$2,500 late contribution from the

Association of California State Attorneys & Administrative Law Judges Political Action Committee in a properly filed paper late contribution report, by the November 4, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 12: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$2,500 late contribution from the California State Pipe Trades Council Political Action Fund in a properly filed paper late contribution report, by the November 4, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 13: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$2,000 late contribution from Ralphs Grocery Company in a properly filed paper late contribution report, by the November 4, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 14: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$1,500 late contribution from the Tenet Health System in a properly filed paper late contribution report, by the November 4, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 15: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose a \$50,000 late contribution made to California State Senate candidate Michael Machado in a properly filed paper late contribution report, by the November 5, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 16: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose a \$50,000 late contribution made to California State Senate candidate Michael Machado in a properly filed electronic late contribution report, by the November 5, 2000 due date, in violation of section 84605, subdivision (a).

COUNT 17: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$1,000 late contribution from Michael W. Harahan in a properly filed paper late contribution report, by the November 6, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 18: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$1,000 late contribution from Michael W. Harahan in a properly filed electronic late contribution report, by the November 6, 2000 due date, in violation of section 84605, subdivision (a).

COUNT 19: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$1,000 late contribution from the California Association of Health Underwriters PAC in a properly filed paper late

contribution report, by the November 6, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 20: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$1,000 late contribution from the California Association of Health Underwriters PAC in a properly filed electronic late contribution report, by the November 6, 2000 due date, in violation of section 84605, subdivision (a).

COUNT 21: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$2,500 late contribution from the Service Employees International Union Local 660 in a properly filed late contribution report, by the November 6, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 22: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$5,000 late contribution from the California State Council of Laborers PAC in a properly filed paper late contribution report, by the November 7, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 23: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$5,000 late contribution from the California State Employees' Association Member Action Committee in a properly filed paper late contribution report, by the November 7, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 24: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$2,000 late contribution from the Democratic Congressional Campaign Committee in a properly filed paper late contribution report, by the November 7, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 25: Respondents Jack Scott, Jack Scott for State Senate Committee, and Jonathan Fuhrman failed to disclose the receipt of a \$2,000 late contribution from the United Auto Workers Region 5 Western States Political Action Committee in a properly filed paper late contribution report, by the November 7, 2000 due date, in violation of section 84203, subdivision (a).

## **SUMMARY OF THE LAW**

### **Duty to Disclose Late Contributions on Paper Late Contribution Reports**

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure

that receipts and expenditures in election campaigns be fully and truthfully disclosed, in order for voters to be fully informed and improper practices inhibited. To that end, the Act sets forth a comprehensive campaign reporting system.

Section 82013, subdivision (a) defines a “committee” as any person or combination of persons who directly or indirectly receives contributions totaling \$1,000 or more in a calendar year. This type of committee is commonly referred to as a “recipient” committee. Under section 82016, subdivision (a), a recipient committee that is controlled directly or indirectly by a candidate is a “controlled committee.”

Under section 84203, subdivision (a), when a controlled committee makes or receives a late contribution, the committee must file a late contribution report in paper format disclosing the contribution within 24 hours of making or receiving the contribution. Section 82036 defines a “late contribution” as a contribution aggregating \$1,000 or more that is received before an election, but after the closing date of the last pre-election campaign statement that is required to be filed. Under section 84200.7, subdivision (b), for an election held in November of an even-numbered year, the late contribution period covers the last 16 days before the election.

### **Duty to Disclose Late Contributions on Electronic Late Contribution Reports**

In 1997, the Legislature amended the Act to require candidates for elective state office and their controlled committees to file their campaign statements electronically as well as on paper. When doing so, the Legislature specifically declared, as stated in section 84601, subdivisions (b) and (c), that public access to campaign disclosure information is a vital and integral component of a fully informed electorate, and that advances in technology have made it viable for disclosure statements to be filed online, thereby maximizing their availability to the public. The Act therefore establishes a supplemental electronic campaign report system designed to accomplish this further purpose of disclosure.

Section 84605, subdivision (a), which became effective on July 1, 2000, requires candidates for elective state office, who receive contributions or loans totaling \$50,000 or more, to file their campaign statements electronically, as well as on paper. Section 84605, subdivision (i) specifically provides that candidates and committees that file electronically must continue to file their campaign statements in a paper format. Under section 84605, subdivision (i), a committee’s paper campaign statements continue to be the official filings of the committee.

### **Treasurer Liability**

Under section 81004, section 84100, and regulation 18427, subdivision (c), it is the duty of a committee’s treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee’s treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

## **SUMMARY OF THE FACTS**

In connection with the November 7, 2000 general election, Respondents received contributions totaling \$3.3 million and made expenditures totaling \$3.2 million. The investigation of this matter arose as a result of an audit conducted by the Franchise Tax Board for the period January 1, 1999 through December 31, 2000.

COUNTS 1, 3, 5, 6, 8, 11-14, 17, 19, 21-25

**Failure to Disclose the Receipt of Late Contributions in Paper Format**

As Respondent Scott was a candidate for elective state office, Respondents Committee, Scott, and Fuhrman had the obligation to disclose the receipt of any late contribution within 24 hours on a late contribution report in both paper and electronic format. Respondents, however, failed to disclose the receipt of 16 late contributions, totaling \$285,325 on late contribution reports in paper format, although Respondents did disclose 10 of these contributions electronically.

For each late contribution that Respondents received, but did not properly disclose on a paper late contribution report, the following table sets forth by count the following information: the name of the contributor; the date Respondents received the late contribution; the amount of the contribution; and the date by which Respondents had a duty to disclose the contribution:

<b>Count</b>	<b>Date of Receipt</b>	<b>Contributor</b>	<b>Due Date</b>	<b>Amount</b>
1	10/27/00	Dem. State Central Com. of CA	10/28/00	1,971
3	10/29/00	UFCW International Union	10/30/00	1,000
5	10/30/00	Dem. State Central Com. of CA	10/31/00	52,425
6	10/30/00	Dem. State Central Com. of CA	10/31/00	62,865
8	11/01/00	Dem. State Central Com. of CA	11/02/00	140,064
11	11/03/00	CASE PAC	11/04/00	2,500
12	11/03/00	CA Pipe Trades Council PAC	11/04/00	2,500
13	11/03/00	Ralphs Grocery Co.	11/04/00	2,000
14	11/03/00	Tenet Health System	11/04/00	1,500
17	11/05/00	Michael W. Harahan	11/06/00	1,000
19	11/05/00	CA Assoc. of Health Underwriters PAC	11/06/00	1,000
21	11/05/00	SEIU Local 660	11/06/00	2,500
22	11/06/00	CA State Council of Laborers PAC	11/07/00	5,000
23	11/06/00	CSEA Member Action Com.	11/07/00	5,000
24	11/06/00	Dem. Cong. Campaign Com.	11/07/00	2,000
25	11/06/00	UAW Region 5 Western States PAC	11/07/00	2,000
<b>Total</b>				<b>285,325</b>

By failing to disclose the receipt of 16 late contributions totaling \$285,325 on properly filed paper late contribution reports, Respondents committed 16 violations of section 84203, subdivision (a).

COUNTS 2, 4, 7, 9, 18, and 20

### **Failure to Disclose the Receipt of Late Contributions in Electronic Format**

As Respondent Scott was a candidate for elective state office, Respondents Committee, Scott, and Fuhrman had the obligation to disclose the receipt of any late contribution within 24 hours on a late contribution report in both paper and electronic format. Respondents, however, failed to disclose the receipt of six late contributions, totaling \$207,900 on late contribution reports in electronic format. For each late contribution that Respondents received, but did not properly disclose on an electronic late contribution report, the following table sets forth by count the following information: the name of the contributor; the date Respondents received the late contribution; the amount of the contribution; and the date by which Respondents had a duty to disclose the contribution:

<b>Count</b>	<b>Date of Receipt</b>	<b>Contributor</b>	<b>Due Date</b>	<b>Amount</b>
2	10/27/00	Dem. State Central Com. of CA	10/28/00	1,971
4	10/29/00	UFCW International Union	10/30/00	1,000
7	10/30/00	Dem. State Central Com. of CA	10/31/00	62,865
9	11/01/00	Dem. State Central Com. of CA	11/02/00	140,064
18	11/05/00	Michael W. Harahan	11/06/00	1,000
20	11/05/00	CA Assoc. of Health Underwriters	11/06/00	1,000
<b>Total</b>				<b>\$207,900</b>

By failing to disclose the receipt of six late contributions, totaling \$207,900, on properly filed electronic late contribution reports, Respondents committed six violations of section 84605, subdivision (a).

#### COUNTS 10 and 15

### **Failure to Disclose the Making of Late Contributions in Paper Format**

As Respondent Scott was a candidate for elective state office, Respondents Committee, Scott, and Fuhrman had the obligation to disclose the making of any late contribution within 24 hours on a late contribution report in both paper and electronic format. However, on or about November 2, 2000, Respondents failed to disclose the making of a \$50,000 late contribution to State Senate candidate Michael Machado on a late contribution report in paper format, although Respondents did disclose this contribution electronically. In addition, on November 5, 2000, Respondents again failed to disclose the making of a \$50,000 late contribution to State Senate candidate Michael Machado on a late contribution report in paper format.

By failing to disclose the making of two late contributions, totaling \$100,000, on properly filed paper late contribution reports, Respondents committed two violations of section 84203, subdivision (a).

#### COUNT 16

### **Failure to Disclose the Making of a Late Contribution in Electronic Format**

As Respondent Scott was a candidate for elective state office, Respondents Committee, Scott, and Fuhrman had the obligation to disclose the making of any late contribution within 24 hours on a late contribution report in both paper and electronic format. However, on or about November 5, 2000, Respondents failed to disclose the making of a \$50,000 late contribution to State Senate candidate Michael Machado on a late contribution report in electronic format.

By failing to disclose the making of a late contribution, totaling \$50,000, on a properly filed electronic late contribution report, Respondents violated section 84203, subdivision (a).

### **CONCLUSION**

This matter consists of 25 counts of violating the late contribution reporting provisions of the Act, and carries a maximum possible administrative penalty of \$2,000 per violation, for a total of \$50,000. For late contribution non-disclosure cases that are not resolved through the Commission's streamlined program, the typical administrative penalty has ranged from 15 to 25 percent of the amount of the undisclosed contribution up to the maximum statutory penalty, depending on the seriousness of the violation. This case was not prosecuted through the streamlined program because it was the subject of an audit conducted by the Franchise Tax Board, and involved a significant amount of late contributions not properly reported.

In this matter, Respondents electronically disclosed 11 of the late contributions prior to the election, and with respect to the seven contributions for which Respondents failed to timely file late contribution reports in either paper or electronic format, the Committee reported the contributions on its next regular campaign statement. In addition, Respondent Jack Scott, having previously served in the California State Assembly, has a four-year record of complying with the campaign reporting provisions of the Act, and has taken steps to ensure that subsequent late contribution reports are timely filed. Finally, the election during which the violations occurred was the first election for which candidates were required to file both paper and electronic late contribution reports. Therefore, imposition of a penalty that is somewhat lower than the typical penalty is appropriate. Accordingly, the facts of this case justify imposition of the agreed upon penalty of \$39,000.